Council on Postsecondary Education
January 31, 2005

# Comprehensive Funding Review Recommendations

***The Council, in conjunction with its strategic planning process, has been reviewing the Benchmark Funding Model and other postsecondary education finance policies as part of the Comprehensive Funding Review. Recommendations regarding the Benchmark Selection Model and the Funding Distribution Methodology are presented.***

Action: The staff recommends that the Council approve the preliminary Benchmark Selection Model and the Funding Distribution Methodology and that the Funding Distribution Methodology be effective upon approval by the Council.

The Council staff proposes two recommendations:

(1) Preliminary Benchmark Selection Model
(2) Funding Distribution Methodology

Attachments A (Benchmark Selection Model) and B (Funding Distribution Methodology) provide executive summaries that compare the current and proposed models, including rationale for changes.

**Preliminary Benchmark Selection Model**
Since 1999, a benchmark model has been the basis for determining adequate base funding for the institutions. The staff recommends that this model be retained but improved to facilitate greater institutional mission differentiation. Benchmark selection is only one component of the overall funding model and future model recommendations will build on this foundational component. Resolution of other funding issues in the model will depend on additional analyses and progress regarding the revised public agenda, key indicators, campus action plans, and mission parameters. During the next two months, the Council staff will continue a process of model testing to determine if any additional revisions are needed to the model. If necessary, the staff will present minor model revisions to the Council in March.

More detailed information on the preliminary Benchmark Funding Model includes:

- Overview of Benchmark Selection Process (Attachment C).
- Benchmark Selection Criteria (Attachment D).
- Benchmark Selection Model for UK and UofL (Attachment E).

**Funding Distribution Methodology**
The Council first approved the Funding Distribution Methodology in November 2003 to address uncertainty regarding the distribution of funds when less than the Council's full recommended funding is available or when budget reductions are necessary. There were several issues that prompted a review of the Methodology.

- The Methodology favors, as the top priority for funding, base adjustments and across the board increases - the lowest priority is benchmark equity.
- Funding scenarios would have to reach relatively high levels before even one dollar is distributed for benchmark equity.
- The manner in which benchmark equity is distributed did not appropriately address the funding gaps.
- The priority for Maintenance and Operations (M&O) for new facilities should be lower than other base adjustments and minimum funding for proportional increases and benchmark equity.

Attachment F provides the proposed changes to the Funding Distribution Methodology that address each of these issues. The Council staff recommends that the proposed Funding Distribution Methodology be effective immediately, upon approval by the Council (M&O for new facilities will remain a first priority for distributions in the 2004-06 biennium. The new priority structure, as it concerns M&O, will be applicable for distributions beginning in the 2006-08 biennium).

Policy Connection
House Bill 1 directed the Council to develop budget recommendations that provide adequate funding for postsecondary education relative to the goals set forth as part of postsecondary education reform. Since the 2000-02 biennium, the Council has chosen to determine institutional funding adequacy as it relates to operational funding on the basis of comparisons with other peer institutions in the nation.

The policy rationale for modifications to the existing models relates to the objectives approved by the Council to guide the work of the Comprehensive Funding Review (Attachment G).

## *Benchmark Selection Model*

| *Model Modification* | *Policy Connection* | *Benefits* |
|---|---|---|
| • Added and streamlined criteria in selection model. | • Adequacy, equity, and accountability. | • Better differentiation of missions and fairness in comparing performance. |
| • Specific model for KCTCS. | • Adequacy and equity. | • Addressed unique concerns of 2-yr colleges, while still consistent with model for other institutions. |
| • Consistency in selection process based on statistical model. | • Equity, objectivity, and inclusivity. | • Credibility and fairness. |
| • Open hearing for minor substitutions. | • Objectivity, inclusivity, equity, and accountability. | • Credibility, fairness, less subjective, and input from all stakeholders. |
| • Specific model for UK and UofL. | • Adequacy and mission. | • House Bill 1 mandates operationalized for base funding, differentiation where appropriate between UK and UofL. |

## *Funding Distribution Methodology*

| *Model Modification* | *Policy Connection* | *Benefits* |
|---|---|---|
| • Revision of equity index. | • Equity and adequacy. | • More appropriately distributes funds based on funding gap.<br>• Address past enrollment growth more effectively. |
| • Changed the priorities. | • Equity and adequacy. | • Provides immediate distribution of at least half amount distributed to close funding gap (after base adjustments). |
| • Lowered the priority of M&O on new facilities. | • Equity and adequacy. | • Provides greater priority to operational needs for increases in costs like salaries, insurances, etc., and closing funding gap.<br>• Plus, M&O is partially covered in distribution already. |
| • Constrained application to past 2 fiscal years. | • Equity. | • Allows model to address recent cuts. |

Attachment H provides a revised timeline detailing Council discussion and action items regarding the Comprehensive Funding Review ending with final approval of the FY 2006-08 budget recommendations in November.

Staff preparation by Sandra Woodley

ATTACHMENT A

# Comparison of Benchmark Selection Model Changes and Rationale

| *Description of Change* | *Rationale for Change* | *Current Model* | *Proposed Model* | |
|---|---|---|---|---|
| | | | Four-Year Model | KCTCS Model |
| **Selection Criteria** | • Model did not sufficiently differentiate based on mission.<br>• Weighting of criteria needed to be improved in order to balance elements and mission.<br>• Improvement needed to differentiate program mix by separating each first professional degree (Medical, Pharmacy, Dentistry, Law).<br>• Improvement needed to enhance consistency between model for KCTCS and other institutions.<br>• Additional criteria were needed to ensure fair comparison between institutions when measuring performance.<br>• Improvement needed to align categories to more closely reflect strategic planning and institutional action plans.<br>• Improve emphasis on enrollment to ensure similar sized institutions. | **Enrollment Characteristics:**<br>Total headcount<br>% Part-time headcount<br>ACT at $50^{th}$ percentile<br>% Bachelor's degrees<br>% Master's degrees<br>% Doctoral degrees<br><br>**Program Mix:**<br>% Agriculture<br>% Business<br>% Education<br>% Engineering<br>% Biology & Physical Science<br>% Arts<br>% Liberal Arts & Humanities<br>% Health<br>% First Professional Health<br>% Law<br><br>**Other:**<br>% Full-time Faculty<br>Public service expenditures % total<br>Student/Faculty Ratio<br>Research expenditures % total | **Student Mix:**<br>Total Headcount<br>Total FTE<br>U-Grad. FTE % Total<br>U-Grad. HC % Total<br>Full-time U-Grad. age 25 older<br>Minority students % Total<br>ACT at $25^{th}$ percentile<br>ACT at $75^{th}$ percentile<br>% Receiving federal aid<br>Institutional aid % E&G exp.<br>Student/faculty ratio<br><br>**Program Mix:**<br>Category A UG degrees % UG total<br>Category B UG degrees % UG total<br>Category C UG degrees % UG total<br>UG degrees % total degrees<br>Medicine degrees % total<br>Pharmacy degrees % total<br>Dentistry degrees % total<br>Law degrees % total<br><br>**Research/Stewardship:**<br>Research expenditures % total<br>Public Service exp. % total<br>Locale (rural-urban) | **Student Mix:**<br>Total headcount<br>% Part-time headcount<br>Total FTE<br>% Receiving federal aid<br>Institutional aid % E&G exp.<br>Full-time U-Grad. age 25 older<br>Minority students % total<br>Student/faculty ratio<br><br>**Program mix & system size**<br>Category A awards % total<br>Category B awards % total<br>Category C awards % total<br>Number of instit. in system<br>Associate degrees % total<br>Certificates % total |
| **Process for selection** | • Current process did not follow closely with the statistical model.<br>• Inequity among institutions from resulting negotiation for benchmarks.<br>• Process was not sufficiently open and too subjective.<br>• Need to establish a regular cycle for re-selection of benchmark institutions. | • 19 benchmark institutions (8 for KCTCS).<br>• Statistical model determined universe for negotiation.<br>• Negotiation with CPE on selection in a closed process.<br>• No constraint by Carnegie Classification.<br>• Minor differential weighting.<br>• Inconsistency concerning degree of statistical similarity among peer lists. | • 19 benchmark institutions (including KCTCS).<br>• Statistical analysis constrained within 2 Carnegie Classifications.<br>• Differential weighting to more effectively reflect mission.<br>• The most similar 19 institutions on each list will constitute benchmark peers (process for minor substitution).<br>• Hearing process for minor substitution within certain pre-determined criteria regarding similarity constraints.<br>• Process repeated every four years. | |

| *Description of Change* | *Rationale for Change* | *Current Model* | *Proposed Model* |
|---|---|---|---|
| **UK** | • Needed clearer differentiation based on mandate in House Bill 1 to be top 20 research institution. | • Same model as noted above for the benchmark selection for all institutions. | • Model that considers data independently collected at national level and that are consistent with goal to be top 20-research institution.<br>• Model based on data, but less statistical than model for other institutions.<br>• Indicators consistent with goals:<br>Total & federal research dollars<br>Endowment assets<br>Annual giving<br>Faculty academics membership<br>Faculty awards<br>Number of doctoral students produced<br>Number of postdoctoral appointments<br>Undergraduate SAT scores |
| **UofL** | • Needed clearer differentiation based on mandate in House Bill 1 to be premier nationally recognized metropolitan research university. | • Same model as noted above for the benchmark selection for all institutions. | • Model that considers data independently collected at the national level, local and national measures that address HB 1 goal, universities in metropolitan areas with schools of medicine, engineering that are not land grant institutions.<br>• Model based on data, but less statistical than model for other institutions.<br>• Indicators consistent with goals:<br>Quality undergraduate programs<br>Undergraduate ACT scores<br>Student retention and graduation rates<br>Nationally ranked research and grad/professional programs<br>National Cancer Institute/Cancer Center designation<br>Endowed chairs and professorships in key fields<br>Number of doctoral graduates<br>Total and federal research funding<br>Endowment assets<br>Number of business start-ups from research activities<br>Number of patents and licenses from research activities<br>National leader for linking research to needs of community & KY |
| **KSU** | • Based on the Baker Hostetler report, the prior benchmark selection model did not sufficiently address funding (small institution, fixed costs, etc.). | • Same model as other comprehensive institutions with no adjustment for fixed costs. | • Same statistical model for the purpose of benchmark selection (model improves mission differentiation and selective weighting will also be used to address concerns).<br>• The benchmark selection model is not expected to fully address fixed-cost concerns expressed by the Baker Hostetler report. A small institution adjustment is being considered to address this issue for KSU and will be fully debated in the coming months. |

# Comparison of Funding Distribution Methodology (FDM) Changes and Rationale

| *Description of Change* | *Rationale for Change* | *Current Model* | *Proposed Model* |
|---|---|---|---|
| **Equity Index** | • Current index inappropriately weights the base appropriation level.<br>• Index does not fully address benchmark equity and past enrollment growth.<br>• Proposed change addresses adequately both the funding gap and the magnitude of students at each institution and does not inappropriately overstate the base appropriation level. | • Per student gap (ratio of current funding level to benchmark funding level per student) is multiplied by the net appropriation level. | • Total funding gap, or the difference between the actual appropriation level and the level of funding generated by the benchmark model. |
| **M&O** | • At full benchmark funding levels, M&O for new facilities would theoretically already be included since the benchmark model is a revenue model and no expenditure items except for debt service and some mandated programs are backed out of the calculations.<br>• However, M&O is an important enough priority to be considered separately for the following reasons:<br>o If not treated separately, insufficient funds would be available because the benchmark objective has not been fully funded in the past.<br>o Until recently, it has been the state's practice to treat M&O separately given that decisions on new facilities are sometimes out of the control of the institution (inflexible fixed cost).<br>• M&O should continue to be a priority for funding, but should be a lower priority than is the current case. | • Funds M&O as a base adjustment.<br>• Funding for M&O is first priority for funding along with debt service and UofL hospital contract. | • Distinguishes M&O for new facilities as separate from base adjustments and sets the priority lower than other base adjustments, proportional, and benchmark funding. |
| **Priorities** | • Current model makes M&O for new facilities and proportional increases too high a priority.<br>• Funding would have to reach too high a level before even one dollar is distributed to benchmark equity.<br>• Change in priorities allows past enrollment growth to be funded at a higher priority when funds are limited. | • <u>Priority 1</u>- Fully fund base adjustments including M&O on new facilities.<br>• <u>Priority 2</u> - Proportional increase of 1% or 2% depending on funding levels and current services percentage.<br>• <u>Priority 3</u> - Benchmark Equity. | • <u>Priority 1</u> - Base adjustments (not M&O).<br>• <u>Priority 2</u> - 50%/50% proportional/Benchmark Equity up to current services increase of net base funding level.<br>• <u>Priority 3</u> - Fully fund M&O and if funds remain they revert back to priority 2. |
| **Increase following reduction and reduction allocation methods** | • Constraint within the biennium could prohibit restoration of recent budget cuts (maybe even one year prior if at the beginning of biennium).<br>• Past two fiscal years is more appropriate to allow for the restoration of recent budget cuts, but still provides some limit to how far back cuts are considered first priority. | • Constrains within one biennium. | • Constrains within past two fiscal years. |

ATTACHMENT C

# Benchmark Selection Model

Preliminary Model
January 2005

- <u>Benchmark Selection</u>:

  - Each institution will have 19 peer institutions on their funding list.
  - The process of benchmark selection will be repeated every four years.

  - <u>Base Peers (all institutions except UK and UofL)</u>:

    - The benchmark selection model will be constrained within 2 Carnegie Classifications (their current classification and one higher).

    - Institutions containing first professional degree programs will be eliminated as appropriate for institutions that do not have similar programs (Medical, Dental, Pharmacy, Law).

    - Revised criteria to select base peers (Attachment D).
      - Student Mix
      - Program Mix
      - Research and Stewardship of Place (4-yr institutions)
      - Size of System (KCTCS)

    - Allows weighting of certain specified criteria to more clearly differentiate mission among the institutions.

    - The results of the benchmark selection model will be used to select benchmark peers and the 19 most similar institutions will constitute the official base benchmark list.

    - The institutions will be afforded the opportunity to request and publicly justify substitutions within certain predetermined criteria regarding similarity constraints.

    - All requests for substitutions will be discussed with all institutions prior to the Council's final approval of benchmarks.

- UK and UofL will have a separate process for the selection of benchmark peer institutions (Attachment E) based on mandates in House Bill 1.

ATTACHMENT D

# Preliminary Model for Benchmark Selection
# Four-Year Institutions

## *Measures*

### Student Mix:

(1) Total Headcount
(2) Total full-time equivalent (FTE) students
(3) Undergraduate FTE as % of total FTE
(4) Undergraduate headcount as % of total headcount
(5) Full-time undergraduate headcount age 25 or older as % of total undergraduate headcount
(6) Total minority students as % of total headcount
(7) ACT at 25$^{th}$ percentile
(8) ACT at 75$^{th}$ percentile
(9) Percent first-time full-time freshmen receiving federal grant aid
(10) Institutional aid as % of total E&G expenditures
(11) Student faculty ratio

### Program Mix:

(12) Category A undergraduate degrees as % of total undergraduate degrees conferred
(13) Category B undergraduate degrees as % of total undergraduate degrees conferred
(14) Category C undergraduate degrees as % of total undergraduate degrees conferred
(15) Undergraduate degrees as % of total degrees conferred
(16) Medicine degrees as % of total degrees conferred
(17) Pharmacy degrees as % of total degrees conferred
(18) Dentistry degrees as % of total degrees conferred
(19) Law degrees as % of total degrees conferred

### Research and Stewardship of Place:

(20) Research expenditures as percent of total E&G expenditures
(21) Public Service expenditures as % of total E&G expenditures
(22) Locale (degree to which an institution is rural or urban location)

Category A (General Studies, Education, Business)
Category B (Agriculture, Sciences, Computers)
Category C (Fine Arts, Architecture, Engineering, Health)

# Preliminary Model for Benchmark Selection
# KCTCS

## *Measures*

### Student Mix:

(1) Total headcount
(2) Part-time headcount as % of total headcount
(3) Total full-time equivalent (FTE) students
(4) Percent first-time full-time freshmen receiving federal grant aid
(5) Institutional aid as % of E&G expenditures
(6) Full-time headcount age 25 or older as % of total headcount
(7) Total minority students as % of total headcount
(8) Student/faculty ratio

### Program Mix and Size of System:

(9) Category A awards as percent of total awards conferred
(10) Category B awards as percent of total awards conferred
(11) Category C awards as percent of total awards conferred
(12) Number of institutions in the system
(13) Associate degrees as % of total degrees conferred
(14) Certificates as % of total degrees conferred

# University of Kentucky
## (Benchmark Selection)

*Mandate of House Bill 1:*

***A major comprehensive research institution ranked nationally in the top twenty (20) public universities at the University of Kentucky by 2020.***

Criteria for benchmark selection metrics:

1. Those independently collected at the national level.
2. Those local measures that address UK's "higher purpose" of improving the overall quality of life and economic prosperity of Kentuckians.

Goals consistent with the House Bill 1 mandate:

1. A comprehensive array of undergraduate, graduate, and professional programs, many with national prominence.
2. Attracting and graduating outstanding students capable of making significant contributions to their professions and communities.
3. A distinguished faculty whose research, service, scholarship, and teaching are exemplary.
4. The discovery, dissemination, and application of new and significant knowledge.
5. Diversity of thought, culture, gender, and ethnicity that creates communities of learning and appreciation at the university and beyond.
6. Improvements to the health and educational, social, economic, and cultural well being of the citizens of the Commonwealth.

Indicators for selection consistent with goals:

- Total & federal research dollars
- Endowment assets
- Annual giving
- Faculty academies membership
- Faculty awards
- Number of doctoral students produced
- Number of postdoctoral appointments
- Undergraduate SAT scores

Data analyses:

*TheCenter* at the University of Florida will be the source of data elements. *TheCenter* annually tracks eight of the nationally comparable indicators and utilizes the indicators to rank U.S. public and independent research universities. *TheCenter* data and consequent rankings will be used to select benchmark institutions for UK based on the House Bill 1 mandate.

# University of Louisville
## (Benchmark Selection)

*Mandate of House Bill 1:*

To establish the University of Louisville as a p*remier, nationally recognized metropolitan research university* known for success in advancing the intellectual, social, and economic development of our community and the Commonwealth. By using legislative language of "premier, nationally recognized," the Kentucky General Assembly directed UofL to become a leading, or foremost, institution among metropolitan research universities over an unspecified time frame.

Criteria for benchmark selection metrics:

1. Independently collected data at the national level.
2. Local and national measures (such as those required for AAU and Phi Beta Kappa designation) that address UofL's goal of becoming a premier, nationally recognized metropolitan research university.
3. Universities located in metropolitan areas, or major urban statistical areas, with an academic health sciences center with programs that drive the life sciences industry in their communities.
4. Universities with schools of medicine and engineering.
5. Universities that are not land grant universities.

Goals consistent with the House Bill 1 mandate:

With the ***Challenge for Excellence*** as its road map for reaching its HB 1 goals, UofL will achieve the goal of national preeminence by focusing on a metropolitan mission and a 200-year tradition of serving the citizens and institutions in its nine county service area.

1. A focused array of undergraduate, graduate, and professional programs, many with national prominence.
2. Commitment to excellence in educational programs.
3. Building extramurally funded research activities and infrastructure.
4. Commitment to being an open, diverse, and accessible university.
5. A university fully engaged within our community and state through partnerships and collaborations.
6. An institution accountable to its constituents (state taxpayers, students, donors, etc.).

Indicators consistent with goals:

- Quality undergraduate programs.
- Undergraduate ACT scores.
- Student retention and graduation rates.
- Nationally ranked research and graduate/professional programs.
- National Cancer Institute Cancer Center Designation.
- Endowed chairs and professorships in key fields.
- Number of doctoral graduates.
- Total and federal research funding.
- Endowment assets.
- Number of business start-ups and incubations from university research activity.
- Number of patents and licenses based upon university research.
- National leader for linking research to the needs of its community and Commonwealth.

Data analyses:

*TheCenter* data at the University of Florida will be used for comparison with urban institutions included in the annual study. This analysis is commonly referred to as the "Lombardi study." Additional data sources will include Integrated Postsecondary Education Data System (IPEDS) and the university's internal accountability system, Balanced Scorecard, which also incorporates many of the same Lombardi and IPEDS data elements.

**ATTACHMENT F**

# Funding Distribution Methodology

## (1) Increase Allocation Method

***<u>Abstract</u>* —**

- ***<u>1st priority</u>*****: *Base adjustments*****, *includes only changes in debt service and UofL hospital contract (not M&O).***
- ***<u>2nd priority</u>*****: *Proportional/Benchmark Equity* *- remaining dollars, up to the current services increase over net base, will be split 50%/50% proportional increases (capped) and equity increases.***
- ***<u>3rd priority</u>*****: *M&O* *- if funds remain after priority 2 is funded, M&O on new facilities will be fully funded to the extent funds are available; funds remaining after M&O revert to priority 2.***
- ***Proportional increase will be capped at the current services increase.***
- ***The equity index will be calculated as the nominal dollar difference between current funding levels (net General Fund) and the full benchmark funding objective for each institution.***

This method is designed, if the CPE recommendation is not fully funded, to establish priorities and to distribute increases in recurring General Fund appropriations to the institutions among base adjustments, proportional increases, benchmark equity, and M&O for new facilities. The method may be used to distribute small or large amounts of new state appropriations, up to the total amount of the CPE biennial budget request.

Total Increase
Allocation of increase in state appropriations in the following priority order:

↓

**Priority 1 - Base adjustments** including changes in debt service and the UofL hospital contract. If additional funds are available, then

**Priority 2 - 50%/50% proportional percentage increases and benchmark equity:** of each dollar increase up to the Current Services increase over the net base appropriation for the institutions, half will be distributed according to a common percentage increase (proportional) and the other half will be distributed according the Equity Index (index of the nominal difference between current funding level and benchmark full funding level).

The proportional increase will be capped at the current services increase. If additional funds are available, then

**Priority 3 - M&O** will be fully funded (based on a pro rata share of M&O) to the extent funds are available after funding priorities 1 and 2. If funds remain after full funding of M&O, funds will revert again to priority 2.

**(2) Increase Following Reduction Method**

This allocation method is based on the following principles:

- If the state appropriation increase is less than or equal to a previous state appropriation reduction which occurred within the past two fiscal years to the reductions, each institution's appropriation will be restored on a pro rata basis to the extent possible.
- If the state appropriation increase exceeds the previous state appropriation reduction, the reductions to each institution will be restored and the remaining net increase will be allocated based on the Increase in State Appropriations Allocation Method described above.

**(3) Reduction Allocation Method**

The State Appropriation Reduction Allocation Method is designed to allocate state appropriation reductions among the institutions. This procedure may be used: 1) to allocate state appropriation reductions that might occur during a fiscal year subsequent to a state appropriation increase being provided for that year, or 2) to allocate a state appropriation reduction that results in the state appropriation for the institutions being reduced to a level lower than the previous fiscal year total state appropriation for the institutions. Each of these situations is addressed below.

*State Appropriation Reduction Following a State Appropriation Increase*

This section of the method is based on the following principles:

- Unless the state appropriation reduction exceeds the total state appropriation increase for current services and benchmark equity funding for the fiscal year, the previous year nominal dollar state appropriation base for each institution will be maintained.
- If the state appropriation reduction is less than the total state appropriation increase for current services and benchmark equity funding for the fiscal year, the state appropriation reduction will be implemented so that the net state appropriation increase for the fiscal year (the total state appropriation increase minus the state appropriation reduction) will be allocated based on the principles in the Increase in State Appropriations Allocation Method described above.

***State Appropriation Reduction to a Level Lower Than the Previous Fiscal Year State Appropriation***

This section of the procedure is based on the following principles:

- Available trust funds (except the student financial aid trust fund) and funding programs may be reduced on a basis proportionate to their share of the total postsecondary appropriation.
- The first priority for reduction will be increases in current services and benchmark equity funding, if any, down to the prior year nominal state appropriation base for each institution.
- Reduce each mandated program by the same percentage as the systemwide reduction (state appropriations net of debt service and the UofL hospital contract).
- If additional reduction is necessary, the next priority for reduction will be a proportional reduction of each institution's state appropriation net of debt service, the Quality Charity Care Trust (the University of Louisville hospital contract), and mandated programs (previously cut) up to one-half of the current services increase as provided in the biennial state budget instructions or CPE's recommended current services increase, whichever is greater.
- If additional reduction is necessary, the remaining reduction will be allocated among institutions so that the institutions closest to or above their benchmark funding objectives will receive proportionately larger reductions than institutions a greater distance from their benchmark funding objectives.

ATTACHMENT G

## Objectives and Principles for Comprehensive Funding Review

**Principles:**

1. ***Inclusivity and Objectivity:*** The process for the review will be inclusive of all groups impacted by recommended changes and sufficient opportunities will be available to fully discuss and debate alternatives in an objective manner. There will be a deliberate focus to ensure complete understanding regarding the details of all recommendations resulting from the review process.
2. ***Simplicity:*** Where possible all models should be concise and easy to explain. This simplicity also should be balanced with the need to be sufficiently complex in order to address valid differentiation.
3. ***Temporary Until Final:*** During the review process, all agreements are tentative until the final recommendations are presented to the Council for action.
4. ***Benchmarks Remain:*** Benchmarking will not be abolished, but its role may be modified.
5. ***Mission:*** The review will incorporate institutional missions and will focus on advancement of the system of higher education and how individual missions of the institutions contribute to statewide goals.

**Objectives:**

1. POLICY COORDINATION: To ensure that funding policies of the Council are coordinated with strategic planning, Key Indicators of Progress, equal opportunity planning, financial aid policies, and tuition policies.
   ACTIONS:
   a. Synchronize funding policies with strategic planning review, affordability review, equal opportunity planning and, to the extent appropriate, incorporate recommendations (institutional missions, tuition policies, financial aid policies, diversity policies, etc.).
2. ADEQUACY and EQUITY: To address adequacy and equity concerns.
   ACTIONS:
   a. Determine if current funding policies appropriately address funding adequacy.
   b. Ensure that benchmark selections are objective, define purpose and use, and determine if other methodologies should be used to determine funding objectives.
   c. Determine if equity adjustments are appropriate and, if so, how to incorporate.
   d. Determine if funding distribution methodology needs revision.
   e. Determine appropriate method for accounting for nonresident students and mandated programs.
3. ACCOUNTABILITY: To address accountability concerns.
   ACTIONS:
   a. Determine appropriateness and use of expenditure analysis (not just revenue side).
   b. Determine appropriateness and use of performance measures either directly or indirectly.
   c. Address concerns expressed by elected leadership (PRIC report, etc.).

**ATTACHMENT H**

# Timeline of Discussion Items and Action Items for CPE meetings
# Comprehensive Funding Review and Budget Development

| Nov 8 | Jan 31 | Mar 21 | May 22 | July 18 | Sept 18 | Nov 7 |
|---|---|---|---|---|---|---|
| DISCUSSION: | DISCUSSION: | DISCUSSION: | DISCUSSION: | DISCUSSION: | DISCUSSION: | DISCUSSION: |
| Comprehensive funding review progress report as follows:<br>• Base Model<br>• Performance component<br>• Funding Distribution Methodology<br>• Capital<br>• Trust Funds | • Preliminary Trust Fund Priorities<br>• Performance component concept | • Trust Fund Guidelines<br>• Preliminary Trust Fund Priorities<br>• Performance Component concept<br>• Six-Year Capital Plan<br>• Capital budget planning priority methodology | • 2006-08 operating and capital budget development process<br>• Special initiative request: guidelines and evaluation criteria | • Incentive Trust Funds priorities<br>• Performance methodology and indicators for model | • Operating budget request: benchmark funding model results<br>• Capital request<br>• Institutional report on tuition rates and revenues<br>• Submitted special requests | |
| ACTION: | ACTION: | ACTION: | ACTION: | ACTION: | ACTION: | ACTION: |
| | • Base Model<br>• Performance concept<br>• Funding Distribution Methodology | • Revisions if necessary of components of comprehensive funding recommendations | • Benchmark Selection (after open hearing in April)<br>• Trust Fund Guidelines<br>• CPE six-year capital plan<br>• Capital Budget planning priorities | • Special initiative request: guidelines and evaluation criteria | • Performance methodology and indicators for model<br>• Standard funding level<br>• Tuition deduction calculations | • Operating budget recommendation for FY 2006-08<br>• Capital budget recommendation for FY 2006-08 |